



**DEPARTMENT OF
FINANCE**
OFFICE OF THE DIRECTOR

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May 17, 2019

Mr. Sage Sangiacomo, City Manager
City of Ukiah
300 Seminary Avenue
Ukiah, CA 95482

Dear Mr. Sangiacomo:

Subject: 2019-20 Annual Recognized Obligation Payment Schedule

This letter supersedes the California Department of Finance's (Finance) Recognized Obligation Payment Schedule (ROPS) letter dated April 15, 2019. Pursuant to Health and Safety Code (HSC) section 34177 (o) (1), the Ukiah Successor Agency (Agency) submitted an annual ROPS for the period July 1, 2019 through June 30, 2020 (ROPS 19-20) to Finance on January 29, 2019. The Agency requested a Meet and Confer on one or more of the determinations made by Finance. The Meet and Confer was held on April 24, 2019.

Based on a review of additional information and documentation provided to Finance during the Meet and Confer process, Finance has completed its review of the specific determinations being disputed:

- Item Nos. 2 and 3 – Tax Allocation Bonds, 2011 Series A and Reserve Payments for Tax Allocation Bonds, 2011 Series A in the total requested amount of \$327,500. Finance continues to partially adjust these items. The Agency inadvertently made some errors in the requested amounts. During the Meet and Confer review, the Agency did not provide any additional information to support the originally requested amounts and requested further explanation of the adjusted amounts. In order to integrate the amounts requested during ROPS 18-19 for the ROPS 19-20A period payment and to accurately reflect the debt-service schedule, Finance continues to make the following adjustments:
 - Item No. 2 has been reduced by \$87,137 from \$163,750 to \$76,613 in Redevelopment Property Tax Trust Fund (RPTTF).
 - Item No. 3 has been increased by a net of \$9,738 from \$163,750 to \$173,488 in Reserve Balances.

For further details, see Attachment 2 on Pages 6 through 8.

- Item Nos. 4 and 5 – Tax Allocation Bonds, 2011 Series B and Reserve Payments for Tax Allocation Bonds, 2011 Series B in the total requested amount of \$816,250. Finance continues to partially adjust these items. The Agency inadvertently made some errors in the requested amounts. During the Meet and Confer review, the Agency did not provide any additional information to support the originally requested amounts and requested further explanation of the adjusted amounts. In order to integrate the amounts requested during ROPS 18-19 for the ROPS 19-20A period payment and to accurately reflect the debt-service schedule, Finance continues to make the following adjustments:
 - Item No. 4 has been reduced by \$313,000 from \$408,125 to \$95,125 in RPTTF.

- Item No. 5 has been increased by \$235,000 from \$408,125 to \$643,125 in RPTTF and Reserve Balance.

For further details, see Attachment 2 on Pages 6 through 8.

- Item Nos. 6 and 7 – Tax Allocation Bonds, 2011 Series B and Reserve Payments for Tax Allocation Bonds, 2011 Series B in the total requested amount of \$920,150. Finance continues to partially adjust these items. The Agency inadvertently made some errors in the requested amounts. During the Meet and Confer review, the Agency did not provide any additional information to support the originally requested amounts and requested further explanation of the adjusted amounts. In order to integrate the amounts requested during ROPS 18-19 for the ROPS 19-20A period payment, correct the funding sources, and comply with the debt-service schedule, Finance continues to make the following adjustments:
 - Item No. 6 has been reduced by \$430,302 from \$468,730 to \$38,428 in RPTTF.
 - Item No. 7 has been increased by \$381,563 from \$468,730 to \$850,293 in Reserve Balances.

For further details, see Attachment 2 on Pages 6 through 8.

The Agency also contested Item No. 22 during the Meet and Confer. However, pursuant to HSC section 34177 (m) (1), items that are the subject of litigation disputing Finance's previous or related determination are not eligible for Meet and Confer. As a result, we continue to make the following determination:

- Item No. 22 – Contracts between the City of Ukiah (City) and the Agency totaling \$6,000,000. We continue to deny this item. During the Meet and Confer, the Agency provided the Court of Appeal decision supporting this item as an enforceable obligation. However, until the trial court issues the final writ as directed by the Court of Appeal, the litigation is not final.

In addition, per Finance's letter dated April 15, 2019, we continue to make the following determinations not contested by the Agency during the Meet and Confer review:

- The Agency's claimed administrative costs exceed the allowance by \$250,000. HSC section 34171 (b) (3) limits the fiscal year Administrative Cost Allowance (ACA) to three percent of actual RPTTF distributed in the preceding fiscal year or \$250,000, whichever is greater; not to exceed 50 percent of the RPTTF distributed in the preceding fiscal year. As a result, the Agency's maximum ACA is \$0 for fiscal year 2019-20.

Although \$250,000 is claimed for ACA, zero is available pursuant to the cap. Therefore, as noted in the table below, \$250,000 in excess ACA is not allowed:

Administrative Cost Allowance Calculation	
Actual RPTTF distributed for fiscal year 2018-19	0
Less distributed Administrative RPTTF	0
RPTTF distributed for 2018-19 after adjustments	0
ACA Cap for 2019-20 per HSC section 34171 (b)	0
ACA requested for 2019-20	250,000
ACA in Excess of the Cap	\$ (250,000)

- On the ROPS 19-20 form, the Agency reported cash balances and activity for the period July 1, 2016 through June 30, 2017 (ROPS 16-17). According to our review, the Agency has approximately \$29,259 in Other Funds and \$1,285,234 in Reserve Balances, totaling \$1,314,493, available to fund enforceable obligations on the ROPS 19-20. HSC section 34177 (l) (1) (E) requires these balances to be used prior to requesting RPTTF. Therefore, the funding sources for the following items have been reclassified in the amount specified below:

Item No.	Item Name	Requested	Approved		
		RPTTF/ Administrative RPTTF	RPTTF/ Administrative RPTTF	Reserve Balances	Other Funds
1	Protection of Successor Agency Assets	\$ 22,146	\$ 0	\$22,146	\$ 0
2*	Tax Allocation Bonds, 2011 Series A	76,613	0	47,354	29,259
4*	Tax Allocation Housing Bonds, 2011 B	95,125	0	95,125	0
6*	Tax Allocation Refunding Bonds, Series 2007	38,428	0	38,428	0
8	Trustee Fees	7,350	0	7,350	0
9	Audit Fees	4,000	0	4,000	0
12	Professional Fees	10,500	0	10,500	0
Totals		\$254,162	\$ 0	\$224,903	\$29,259

* Figures for Item Nos. 2, 4, and 6 represent the adjusted amounts as described above.

Since the Agency's requested expenditures for the ROPS 19-20 did not exhaust its available Reserve Balance, there remains approximately \$1,060,069 (\$1,285,234 - \$225,165) in Reserve Balances that should be used prior to requesting RPTTF on future ROPS.

Pursuant to HSC section 34186, successor agencies are required to report differences between actual payments and past estimated obligations. Reported differences in RPTTF are used to offset current RPTTF distributions. The amount of RPTTF approved in the table on Page 5 includes the prior period adjustment (PPA) resulting from the County Auditor-Controller's review of the PPA form submitted by the Agency. Due to the reclassification of Reserve Balances and Other Funds previously discussed, total authorized RPTTF is insufficient to allow the PPA to be applied this ROPS period, resulting in an excess PPA of \$39,143 that should be applied prior to requesting RPTTF on future ROPS.

The Agency's maximum approved RPTTF distribution for the reporting period is zero as summarized in the Approved RPTTF Distribution table on Page 5 (see Attachment 1).

RPTTF distributions occur biannually, one distribution for the July 1 through December 31 period (ROPS A period), and one distribution for the January 1 through June 30 period (ROPS B period) based on Finance approved amounts. Since this determination is for the entire ROPS 19-20 period, the Agency is authorized to receive up to the maximum approved RPTTF through the combined ROPS A and B period distributions.

This is Finance's final determination regarding the obligations listed on the ROPS 19-20. This determination only applies to items when funding was requested for the 12-month period. If a denial by Finance in a previous ROPS is currently the subject of litigation, the item will continue to be denied until the matter is resolved.

The ROPS 19-20 form submitted by the Agency and this determination letter will be posted on our website:

<http://dof.ca.gov/Programs/Redevelopment/ROPS/>

This determination is effective for the ROPS 19-20 period only and should not be conclusively relied upon for future ROPS periods. All items listed on a future ROPS are subject to review and may be denied even if not denied on this ROPS or a preceding ROPS. The only exception is for items that have received a Final and Conclusive determination from Finance pursuant to HSC section 34177.5 (i). Finance's review of Final and Conclusive items is limited to confirming the scheduled payments as required by the obligation.

The amount available from RPTTF is the same as the amount of property tax increment available prior to the enactment of redevelopment dissolution law. Therefore, as a practical matter, the ability to fund the items on the ROPS with property tax increment is limited to the amount of funding available to the Agency in RPTTF.

Please direct inquiries to Joshua Mortimer, Supervisor, or Daisy Rose, Lead Analyst, at (916) 322-2985.

Sincerely,



 JENNIFER WHITAKER
Program Budget Manager

cc: Mr. Daniel Buffalo, Director of Finance, City of Ukiah
Ms. Lucy Simonson, Assistant Auditor-Controller, Mendocino County

Attachment 1

Approved RPTTF Distribution For the period of July 1, 2019 through June 30, 2020			
	ROPS A Period	ROPS B Period	ROPS 19-20 Total
RPTTF Requested	\$ 843,738	\$ 240,863	\$ 1,084,601
Administrative RPTTF Requested	125,000	125,000	250,000
Total RPTTF Requested	968,738	365,863	1,334,601
RPTTF Requested	843,738	240,863	1,084,601
<u>Adjustments</u>			
Item No. 1	(11,073)	(11,073)	(22,146)
Item No. 2**	(86,875)	(76,875)	(163,750)
Item No. 4	(313,000)	(95,125)	(408,125)
Item No. 6**	(421,865)	(46,865)	(468,730)
Item No. 8	(3,675)	(3,675)	(7,350)
Item No. 9	(2,000)	(2,000)	(4,000)
Item No. 12	(5,250)	(5,250)	(10,500)
	(843,738)	(240,863)	(1,084,601)
RPTTF Authorized	0	0	0
Administrative RPTTF Requested	125,000	125,000	250,000
Excess Administrative Costs	(125,000)	(125,000)	(250,000)
Administrative RPTTF Authorized	0	0	0
Total RPTTF Authorized for Obligations	0	0	0
Prior Period Adjustment	(39,143)	0	(39,143)
Excess PPA	39,143	0	39,143
Total RPTTF Approved for Distribution	\$ 0	\$ 0	\$ 0

** Figures for the B period for Item Nos. 2 and 6 indicate net adjustments as follows:
\$76,875 is the net adjustment of \$262 reduction and reclassifying \$76,613 in RPTTF to Reserve Balances (\$262 + \$76,613) and \$46,865 is the net adjustment of \$8,437 reduction and reclassifying \$38,428 in RPTTF to Reserve Balances (\$8,437 + \$38,428).

Attachment 2

Summary of Adjustments for Item Nos. 2, 3, 4, 5, 6, and 7

Item 2 – Tax Allocation Bonds Payments, 2011 Series A					
	Requested		Authorized		Adjustment
	Amount	Funding Source	Amount	Funding Source	
A Period					
Principal due on 12/01/19	\$10,000	RPTTF	\$ 0	N/A	(\$10,000)
Interest due on 12/01/19	76,875	RPTTF	0	N/A	(\$76,875)
Total A Period	\$86,875		\$ 0		(\$86,875)
B Period					
Interest due on 06/01/20	\$76,875	RPTTF	\$76,613	RPTTF	(\$ 262)
Total A and B Periods	\$163,750		\$76,613		(\$87,137)
Item 3 – Reserve for Tax Allocation Bonds, Series 2011					
	Requested		Authorized		Adjustment
	Amount	Funding Source	Amount	Funding Source	
A Period					
Principal due on 12/01/19	\$10,000	Reserves	\$10,000	Reserves	\$ 0
Interest due on 12/01/19	76,875	Reserves	76,875	Reserves	0
Interest due on 06/01/20	76,875	Reserves	0	N/A	(76,875)
Total A Period	\$163,750		\$86,875		(\$76,875)
B Period					
Principal and Interest due on 12/01/20	\$ 0	N/A	\$86,613	Reserves	\$86,613
Total A and B Periods	\$163,750		\$173,488		\$9,738

Item 4 – Housing Bonds Payments, Series B 2011					
	Requested		Authorized		Adjustment
	Amount	Funding Source	Amount	Funding Source	
A Period					
Principal due on 08/01/19	\$210,000	RPTTF	\$0	N/A	(\$210,000)
Interest due on 08/01/19	103,000	RPTTF	\$0	N/A	(103,000)
Total A Period	\$313,000		\$0		(\$313,000)
B Period					
Interest due on 02/01/20	\$95,125	Reserves	\$95,125	RPTTF	\$ 0
Total A and B Periods	\$408,125		\$95,125		(\$313,000)
Item 5 – Reserves for Housing Bonds, Series B 2011					
	Requested		Authorized		Adjustment
	Amount	Funding Source	Amount	Funding Source	
A Period					
Principal due on 08/01/19	\$210,000	Reserves	\$210,000	Reserves	\$ 0
Interest due on 08/01/19	103,000	Reserves	103,000	Reserves	0
Interest due on 02/01/20	95,125	Reserves	0	N/A	(95,125)
Total A Period	\$408,125		\$313,000		(\$95,125)
B Period					
Principal and Interest due on 08/01/20	\$ 0	N/A	\$330,125	Reserves	\$330,125
Total A and B Periods	\$408,125		\$643,125		\$235,000

Item 6 – Tax Allocation Refunding Bonds, Series 2007					
	Requested		Authorized		Adjustment
	Amount	Funding Source	Amount	Funding Source	
A Period					
Principal due on 12/01/19	\$375,000	RPTTF	\$0	N/A	(\$375,000)
Interest due on 12/01/19	46,865	RPTTF	0	N/A	(46,865)
Total A Period	\$421,865		\$0		(\$421,865)
B Period					
Interest due on 06/01/20	\$46,865	RPTTF	\$38,428	RPTTF	(\$8,437)
Total A and B Periods	\$468,730		\$38,428		(\$430,302)
Item 7 –Reserve for Tax Allocation Refunding Bonds, Series 2007					
	Requested		Authorized		Adjustment
	Amount	Funding Source	Amount	Funding Source	
A Period					
Principal due on 12/01/19	\$375,000	Reserves	\$375,000	N/A	\$ 0
Interest due on 12/01/19	46,865	Reserves	46,865	N/A	0
Interest 06/01/20	46,865	Reserves	0		(\$46,865)
Total A Period	\$468,730		\$421,865		(\$46,865)
B Period					
Principal and Interest due on 12/01/20	\$ 0	N/A	\$428,428	Reserves	\$428,428
Total A and B Periods	\$468,730		\$850,293		\$381,563